

# Information on Washington's Tax Structure



## Use Tax

**The information contained in this fact sheet is current as of the date of this publication and provides general information about the use tax. It does not cover every aspect of the tax. In addition, it does not alter or supersede any administrative regulations or rulings issued by the Department.**

Many residents do not realize that there are Washington tax obligations for goods purchased or otherwise acquired without payment of the sales tax. For instance, even though you don't pay sales tax when you shop in Oregon, your purchases are subject to use tax when you bring them into Washington.

Washington citizens also have use tax obligations in this state when they purchase items in other states which have a sales tax rate lower than Washington's.

Unpaid use tax costs our state and local governments millions of dollars in revenues each year. When even a few people fail to pay their use tax obligations, we all lose. The state must find other sources of revenue to pay for the level of services that our residents expect and deserve. Additionally, projects and special programs that receive their funding through the local governments portion of the use tax are also hindered.

### USE TAX

Use tax is a tax on the use of goods in Washington when sales tax has not been paid.

When you make a retail purchase in this state, you usually pay sales tax. You pay the sales tax to the seller who in turn pays it to the Department of Revenue. There are many instances when Washington's sales tax is not paid on purchases. In most of these situations, the use tax is due.

Consequently, goods used in this state are subject to **either** the sales or use tax, **but not both**, unless specifically exempted. The tax applies regardless of where, or from whom, the property is purchased. Thus, the use tax compensates when sales tax has not been paid.

#### Use tax is due when:

- ◆ Goods are purchased in another state that does not have a sales tax or a state with a sales tax lower than Washington's.
- ◆ Goods are purchased from someone who is not authorized to collect sales tax. For example, when you purchase furniture or appliances from an individual through a newspaper classified ad or a yard/garage sale.
- ◆ Goods are purchased out-of-state by subscription, through the Internet or from a mail order catalog company. Many of these companies do collect Washington's sales or use tax. However, if the company does not collect either tax, you owe the use tax.
- ◆ Personal property is acquired with the purchase of real property, with the exception of machinery and equipment used in a manufacturing process which may qualify for the Manufacturer's Sales/Use Tax Exemption.



**Use tax (or sales tax) is *not due* when the goods purchased are:**

- ◆ For resale within the normal course of business without intervening use;
- ◆ To be used as an ingredient or component part of a new article of tangible personal property produced for sale;
- ◆ A chemical to be used in processing an article to be produced for sale;
- ◆ Feed, seed, seedlings, fertilizer, spray materials, or agents for enhanced pollination, including insects such as cutter bees, for use by a farmer in producing agricultural products for sale; or use in the federal conservation service program or its successor administered by the United States Department of Agriculture;
- ◆ For use in processing ferrosilicon which is subsequently used in producing magnesium for sale; or
- ◆ Machinery and equipment, including cogeneration and pollution control machinery and equipment, used directly in a manufacturing operation.

### USE TAX DUE DATE

Under state law, the use tax is due when the goods are first used in Washington. For example, you are on vacation in Oregon and purchase new ski equipment. You use the equipment while on vacation. When you return to Washington, the use tax is due on the value of the equipment, by the 25th of the next month.

### TAXABLE AMOUNT AND RATES

The use tax rates are the same as the sales tax rates and can be found in our *Tax Return Information and Local Sales and Use Tax Changes* flyer. Our flyer, also known as the LSU flyer, may be obtained by calling our Telephone Information Center or via the Internet at <http://dor.wa.gov>.

Use tax, unlike sales tax, is due at the rate where you first use the article, not where the sale takes place. The state portion of the tax is 6.5 percent throughout the state with local governments imposing their own additional use tax. Depending on the rate of local tax,

the combined use tax rate may range from 7 percent to 8.9 percent. For example, you live in Goldendale, Washington, and purchase a computer in Portland, Oregon. The rate of use tax due on the purchase price of the computer is 7.5 percent. However, if you live in Seattle, the rate of use tax is 8.8 percent because of the higher local rate.



Use tax is figured on the value of the goods when first used in Washington which is generally the purchase price. A depreciated value may be used if the goods are used outside the state for a lengthy period of time before use in Washington by the same person.

### CREDITS, TRADE-INS AND EXEMPTIONS

**Credits** — When you bring goods into Washington that you purchased in another state and paid sales tax on at the time of the purchase, you can receive a credit for this tax by subtracting the amount of sales or use tax you paid from the amount you owe. However, you must have proof, such as an invoice or bill of sale, that the tax was paid in the other state.

**Trade-ins** — If you purchase goods in another state and trade-in a like-kind item to reduce the amount you pay for the goods, use tax is due only on the amount due after the value of the like-kind trade-in is subtracted. For example, you purchase a car in another state with a purchase price of \$5,000. The dealer accepts your current car as a trade-in valued at \$2,000. Therefore, you owe Washington use tax on \$3,000 at the rate in effect where you garage the car (normally your residence). **NOTE:** If the dealer gives you \$2,000 cash instead of subtracting that amount from the new car price, then you have not traded-in your vehicle and use tax is due on the full \$5,000 price of the new vehicle.

**Exemptions** — Persons who are residents of another state and move to Washington are exempt from the use tax on their household goods, personal effects, and motor vehicles, if they acquired the property more than 90 days prior to the move to Washington. Boats, motor homes, trailers, and

other recreation vehicle equipment do not qualify as motor vehicles or personal effects. These items are subject to use tax, even if acquired more than 90 days prior to moving to Washington. A credit, in the amount of sales/use tax that was previously paid on the non-exempt item, can be used to offset the amount of Washington use tax owed. Proof of previously paid sales/use tax must be provided.

Certain other products purchased for specific reasons are also exempt from the use tax. These exemptions are very specific and too numerous to list in this publication. See Washington Administrative Code (WAC) 458-20-178 or Revised Code of Washington (RCW) 82.12 for more information.

### LEASED GOODS

Goods leased from a company outside of Washington and used in Washington are subject to sales or use tax. Many of the out-of-state businesses that lease goods to Washington residents are registered to do business in Washington and will collect the sales tax on lease payments. However, if the lease company does not charge the sales tax, you need to pay use tax directly to the Department of Revenue on the amount of the lease payment. The applicable tax rate is based upon the principle location of the goods, such as your residence or office.

### PROPERTY USED IN A TRADE OR BUSINESS

Use tax is due when goods are purchased for consumption or use by the business and sales tax has not been paid. Below are examples of goods often purchased without sales tax for which use tax **is** due:

- ◆ Articles manufactured by the business for its own use. *If the articles are machinery and equipment used directly in a manufacturing operation they may be specifically exempt from the sales/use tax through the Manufacturer's Sales/Use Tax Exemption;*
  - ◆ Materials installed when performing federal government, city/county housing authority or public road construction contracts;
  - ◆ Equipment loaned to a contractor on which sales tax was not previously paid; and
  - ◆ Articles withdrawn from inventory and used by the business.
- Effective June 1, 2002, use tax also applies to:
- ◆ Freight, delivery, and shipping charges paid to the seller;
  - ◆ Promotional materials mailed into Washington; and
  - ◆ Out-of-state repair charges, including charges for both parts and labor.

### GIFTS OR PRIZES

When you receive a gift or win a prize, the use tax is due on the value of that gift or prize unless the donor has paid the sales or use tax. For example, you win a car in a raffle. Unless the donor pays the sales tax to the vendor, you must pay use tax when you license the vehicle at the Department of Licensing.



Another example is if a family member or friend gives you a gift of an expensive piece of jewelry or a vehicle. You owe use tax on the value of the gift, if the person who gave it to you did not pay the sales or use tax when they acquired it.

When items are donated to nonprofit, charitable organizations, local governments and the state, the use tax is not due on such goods, even if the donor has not paid sales or use tax on the item. The donor is also exempt from the use tax as long as there was no intervening use of the item prior to the donation.

## REPORTING AND PAYING USE TAX

To pay use tax, complete a *Consumer Use Tax Return*, which can be obtained from any Department of Revenue office, from our Telephone Information Center, or via our web site, <http://dor.wa.gov>.

If you purchase an item that must be licensed, such as a car or boat, your local County Auditor or licensing agent will collect the tax at the time of licensing.

If you are registered with the Department of Revenue as a business, you may report the use tax under the use tax sections of your *Combined Excise Tax Return* or you may use the *Consumer Use Tax Return*. Be sure to write your Unified Business Identifier (UBI)/Tax Reporting Account (TRA) number on the Use Tax Return to ensure proper credit.

## FOR MORE INFORMATION

For answers to specific questions about your use tax liability, please contact the Telephone Information Center at 1-800-647-7706 or your local Department of Revenue office. Locations and telephone numbers are shown below. You may also write to:

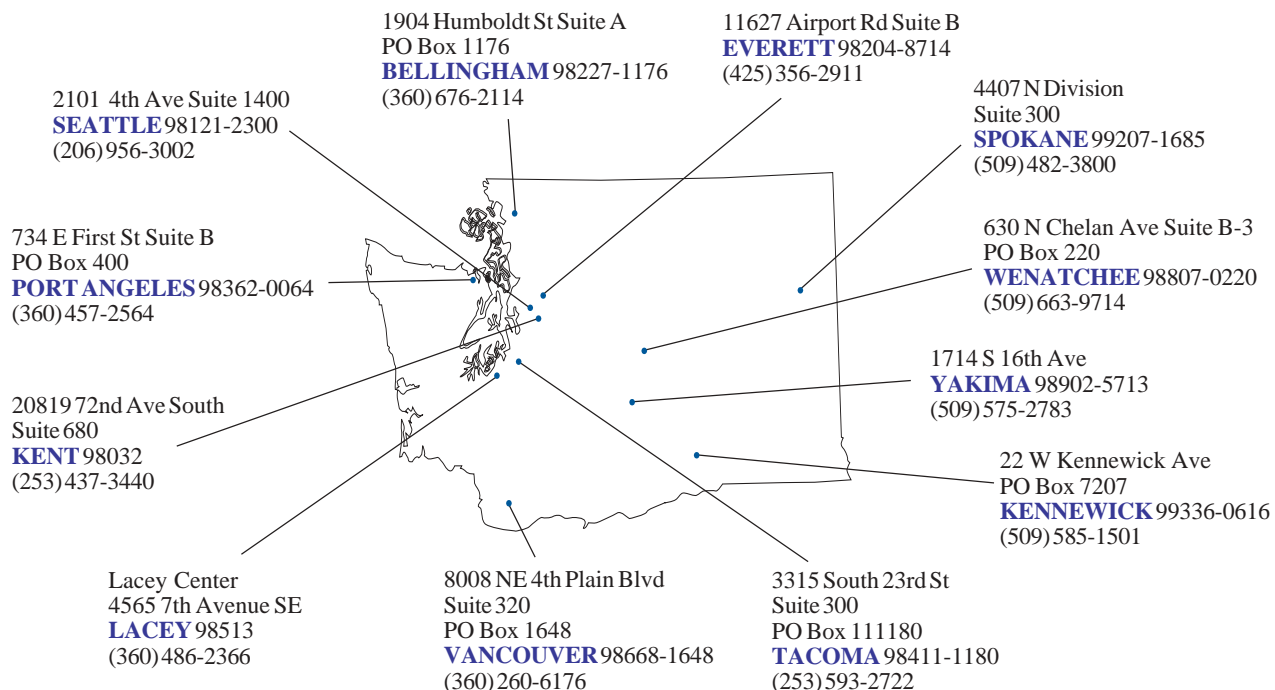
Taxpayer Information and Education  
Washington State Department of Revenue  
Post Office Box 47478  
Olympia, Washington 98504-7478  
Fax (360) 486-2159

## Department of Revenue Taxpayer Assistance



<http://dor.wa.gov>

### Field Office Locations



1-800-647-7706

To inquire about the availability of this document in an alternate format for the visually impaired, please call (360) 486-2342.  
Teletype (TTY) users please call 1-800-451-7985.



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